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Report Highlights: Although Vietnam's cocoa production is currently very small, it is expected to expand significantly in the next 5-10 years. Pressured by declining coffee revenues, Vietnamese farmers are carefully studying the risks/benefits of expanding the cocoa area -- in place of or together -- with other tree crops.

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Introduction

Cocoa was introduced to Vietnam more than a century ago. It was first planted by the French in the Mekong River Delta (MRD) of southern Vietnam in 1878. The crop soon expanded and was extensively cultivated in many different locations, including the south-coastal, southeast and (Tay Nguyen) Central Highland regions. However, after a successful debut, the cocoa crop was neglected for a long period due to low prices and lack of domestic and export markets.

Vietnam has big potential for cocoa. According to a survey done by National Institute of Agricultural Planning and Projection (NIAPP), Vietnam has hundreds of thousands of hectares of land suitable for cocoa trees. Ecologically, cocoa is well adapted to the soil and climate conditions in most of southern Vietnam.

Cocoa production costs are relatively low because cocoa can be inter-cropped with fruits (longan and durian) and annual industrial crops (coffee and cashew) in existing fields and forests. In addition, cocoa is a drought resistant crop so it does not require irrigation.

Currently, a small number of cocoa trees are grown in several different places in MRD, South Coastal and Tay Nguyen Highland. According to agricultural experts, the cocoa area, at present, is estimated at only 500 hectares (ha). Cocoa varieties planted in Vietnam include local (varieties imported long ago) and imported (recently arrived) ones. Local cocoa varieties have low yields, about 0.6-0.7 mt/ ha. Newer imported (mainly from Malaysia) cocoa varieties have higher yields of 2.5-2.6 mt/ha of cocoa beans. Currently, cocoa production is small (well under 500 metric tons). Cocoa beans are mainly used for rootstock to develop more trees.

Cocoa development in Vietnam is constrained by cocoa growers' attitudes toward market availability and a lack of support from the Central Government. Cocoa growers are worried about markets for their products. They also lack knowledge on cocoa growing techniques and market information. Currently, Vietnam's cocoa sector does not get much support from the Central Government. The Ministry of Agricultural and Rural Development (MARD) is not active in consulting and providing farmers with cocoa production technology or market information. However in 1998, MARD launched a new cocoa program, with the goal of having 10,000 ha of cocoa by 2005 and 100,000 ha by 2010

respectively. However, the program remained a goal, not a reality in that the Central Government after announcing the goal, did not take any action to encourage farmers to plant cocoa.

International agencies active in cocoa development in Vietnam

Since 1997, a joint cocoa development project by several international NGO's has been promoting cocoa production. The NGO's include the World Cocoa Foundation, a German NGO (GTZ) and the Ho Chi Minh City University of Agriculture and Forestry. The project aims to assist Vietnam to develop a sustainable and commercial cocoa sector.

Farmers participating in the project are provided with training on cocoa growing techniques. They are also supplied with cocoa seedlings and cocoa market information. The project has set up 113 ha of demonstration plots in Lam Dong, Gia Lai, Dak Lak (Tay Nguyen Highlands), Binh Phuoc, Ho Chi Minh City (South East), Long An, Tien Giang, Ben Tre, Can Tho (MRD) and Binh Dinh province (South Coastal). The project introduced different cocoa farming systems including cocoa with coconut and longan in Ben Tre, with cashew in Dak Lak and Binh Phuoc provinces. Cocoa can be also cultivated by using shade trees including coffee trees, durian, and banana.

The project has been successful in getting local research institutes (Tropical Biology Institute, Western Agriculture Science Institute) and provincial technical extension officers involved in cocoa development activities.

Markets open for Vietnam's cocoa

Decreasing world cocoa supplies tied to increasing cocoa prices have encouraged cocoa traders to watch Vietnam's cocoa developments. Several cocoa trading companies have expressed their interests in buying cocoa from Vietnam. Some local private companies are working with farmers in cocoa production and trade. The farmers are supplied with cocoa seedlings, fertilizers, and training on various growing and fermenting techniques. In turn, the companies will buy cocoa beans from farmers.

In an effort to encourage the development of Vietnam's cocoa sector, a foreign trading company has offered to buy all fermented cocoa beans produced in Dak Lak and Ben Tre provinces at a floor price of VND 22 million/ ton (or about \$1,400/mt). The company plans to export cocoa beans from Vietnam. One chocolate trading company based in Malaysia is also ready to buy cocoa from local farmers in other regions of Vietnam.

Experts said that the increase of cocoa production will create the need for a cocoa processing industry. A local confectionery company is planning to establish chocolate producing facilities when the domestic cocoa supply increases. Moreover, a foreign invested chocolate plant was put into operation (using imported cocoa powder) in October 2002. The capacity of the plant is 1,000 mt of dark, white and milk chocolate per year.

Vietnam cocoa is extended by local authorities

Although the Central Government has not been very supportive of cocoa production, the cocoa area is expected to expand rapidly in coming years. Local provinces with favorable conditions for cocoa are keen to promote cocoa planting due to good economic return and promising markets.

In Dak Lak province (Tay Nguyen highland), cocoa is one of good crops to replace (or supplement) low yielding coffee. Dak Lak province had set a target to plant 10,000 ha of cocoa by 2010. In 2003, a coffee company plans to replace 200 ha of low quality coffee by cocoa. The company also plans to annually plant 250 ha in 2004 and 2005. During a recent field trip to the province, Post learned that cocoa growers in the province are confident about the market for their products. A foreign company had worked with the provincial authorities on an agreement to purchase all cocoa products from farmers. However, no detailed information on the agreement was available. Recently, a joint venture coffee company bought fermented cocoa bean at VND 28,000/kg.

In Ben Tre province (in MRD), cocoa grows well inter-cropped below coconut trees. The province has announced a program to grow 10,000 ha of cocoa by 2005 and 40,000 ha by 2010. The province's Ag. Department and Garden Association is working on a cocoa project including a loan program for cocoa growers. Under the project, about 200,000 cocoa seedlings are ready for transplantation in the upcoming rainy season.

In Binh Duong province (South East), local authorities are seeking credit funds to plant 7,000 ha of cocoa in coming years.